

Message Text

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TO SECSTATE WASHDC PRIORITY 4733

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EO 11652: N/A

TAGS: EFIN, AFDB

SUBJ: REQUEST FOR INFORMATION ON AFDF MOV OBLIGATION

REF: STATE 190957

1. IN DISCUSSIONS WITH AFDB OFFICIALS, EMBOFF RECEIVED FOLLOWING RESPONSES TO QUESTIONS OUTLINED IN REFTEL.

A) UNDER PRESENT SYSTEM OF FLOATING EXCHANGE RATES AFDB MAKES EVALUATION OF PAID-IN SUBSCRIPTION VALUE IN TERMS OF FUND UNITS OF ACCOUNT ON A QUARTERLY BASIS. ORIGINAL AGREEMENT ARTICLE 13 OUTLINES MAINTENANCE OF VALUE (MOV) PROVISIONS OF THE FUND. MORE DETAILED PROVISIONS ON MOV WERE APPROVED IN JULY BY THE BORAD OF THE FUND AND RE TRANSMITTED IN LAST PARAGRAPH.

B) APPRECIATION OR DEPRECIATION IN A CURRENCY IS DETERMINED OVER A YEAR PERIOD. WHEN A CLEAR TREND LINE HAS DEVELOPED IN EITHER DIRECTION THE BANK MAKES AN ASSESSMENT OF THE DIFFERENTIAL TO BE REFUNDED OR APID-IN ACCORDING TO MOV PROVISIONS AND INFORMS THE MEMBER COUNTRY.

C) ORIGINAL BASIS FOR UNIT OF ACCOUNT WAS US DOLLAR. THIS WAS CHANGED WHEN FUND AGREEMENT WAS RATIFIED, BECAUSE OF EFFECTIVE DEVALUATION. STANDARD UNIT OF ACCOUNT FOR AFDF IS 1 USEQUALS PRE-SMITHSONIAN US DOLLAR OR 1.08571 UA EQUALS 1 SDR (UNDER OLD PARITY PRIOR TO SMITHSONIAN MODIFICATIONS.)

D) FUND CONSULTS QUARTERLY ON OFFICIAL PARITIES OF CONVERTIBLE CURRENCIES WITH IMF.

E) MOV CALCULATIONS ARE DONE ON QUARTERLY BASIS; BILLING OR REPAYMENTS ARE MADE AT THE END OF BANK YEAR IN JULY. SETTLE-

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MENTS ARE WXPECTED TO BE MADE WITHIN THE NEXT FISCAL YEAR.

F) IN 1974 BOTH NORWAY AND THE NETHERLANDS WERE INFORMED OF A REBATE FUE THEM FROM THE AFDG. THESE MEMBERS SET WHAT AFDG HOPES WILL BE PRECEDENT BY NOT COLLECTING THEIR REBATE BUT DIRECTING IT BE USED IN FUND TECHNICAL ASSISTANCE PROGRAM.

G) IN JULY 1975, UK AND JAPAN WERE BILLED FOR A DEPRECIATION IN THE VALUE OF THEIR CONTRIBUTION.

2.FYI. UNDER PROVISIONS OF THE ORIGINAL AGREEMENT MEMBERS DO NOT HAVE TO SUPPORT PAID-IN SUBSCRIPTIONS IN CURRENCIES OTHER THAN THEIR NATIONAL CURRENCY. A NUMBER OF INSTALLEMENTS ON SUBSCRIPTIONS HAVE BEEN PAID IN US DOLLARS WITH NO MOV REQUIRED. THE BANK AND SOME MEMBERS OF THE FUND ARE ENCOURAGING MEMBERS WHO ARE FOLLOWING THIS PLICY TO CONTRIBUTE IN OTHER CONVERTIBLE CURRENCIES--PREFERABLY THOSE APPRCIATING IN VALUE OR THEIR OWN NATIONAL CURRENCY WHICH WOULD REQUIRE MOV SUPPORTM END FYI.

3. PRESIDENT LABIDI, DR. IBONG AND MR. ALLALI OF THE AFDB WILL BE IN WASHDCAT THE END OF AUGUST FOR IBRD-IMF MEETINGS AND WOULD BE PLEASED TO DISCUSS DETAILS OF ABOVE WITH INTERESTED STATE AND TREASURY OFFICIALS. LATTER TWO WILL BE STAYING AT PARK CENTRAL HOTEL. THEY INDICATED THAT GROUP WOULD MAKE COURTESY CALLES ON APPROPRIATE USG OFFICIALS.

4. TEXT OF AFDG BOARD RESOLUTION ON MOV PROVISIONS IS AS FOLLOWS: QUOTE. HAVING REGARD TO ARTICLE 13 OF THE AGREEMENT ESTABLISHING THE AFRICAN DEVELOPMENT FUND; RESOLVES THAT THE FOLLOWING RULES SHALL APPLY IN THE APPLICATION OF THIS ARTICLE:
RULE 1 (A) COMPUTATIOS BY ADF FOR THE PURPOSE OF MAINTENANCE OF VALUE PROVISIONS IN ARTICLE 13 OF THE AGREEMENT, RELATING TO A PARTICIPANT'S CURRENCY FOR WHICH PAR VALUE OR CENTRAL RATE HAS NOT BEEN DECLARED OR WHOSE EXCHANGE RATES ARE NOT MAINTAINED WITHIN THE MARGINS DETERMINED BY THE INTERNATIONAL MONETRAY FUND, SHALL BE MADE ON THE BASIS OF A REPRESENTATIVE RATE DETERMINED BY ADF AFTER CONSULTATION WITH THE INTERNATIONAL MONETARY FUND.
RULE 1 (B) IN THE CASE OF A CURRENCY FOR WHICH THERE IS A PAR VALUE OR CENTRAL RATE AND WHOSE RATES OR EXCHANGE ARE MAINTAINED WITHING THE MARGINS DETERMINED BY THE INTERNATIONAL MONETARY FUND, COMPUTATIONS BY ADF SHALL BE BASED ON THE PAR VALUE OR CENTRAL RATE AS THE CASE MAY BE.
RULE 2 (A) THE FUND SHALL, AT THE END OF EACH QUARTER, REVIEW LIMITED OFFICIAL USE

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THE VALUE OF ITS CURRENCY HOLDINGS REFERRED TO IN RULE 1 (A). WHERE THE VALUE OF A CURRENCY CHANGES IN TERMS OF THE UNIT OF ACCOUNT BY 2.25 PERCENT OF ITS LAST REPRESENTATIVE RATE, SUCH CHANGE WILL BE CONSIDERED, FOR PURPOSES FO ARTICLE 13 OF THE AGREEMENT, A SIGNIFICANT DEPRECIATION OR APPRECIATION, AS THE CASE MAY BE, AND ADF SHALL ADJUST ITS HOLDING IN SUCH A CURRENCY ON THE BASIS OF THE NEW REPRESENTATIVE RATE.
RULE 2 (B). WHENEVER ADF DISBURSES PART OF ITS HOLDINGS IN

A CURRENCY COVERED BY RULE 1 (A) ABOVE AND THE VALUE OF THAT CURRENCY HAS CHANGED IN TERMS OF THE UNIT OF ACCOUNT OF 2.25 PERCENT. OF ITS LATEST REPRESENTATIVE RATE, THE ADR SHALL ADJUST THE VALUE OF THE HOLDINGS DISBURSED ON THE BASIS OF A REPRESENTATIVE RATE, APPLICABLE ON THE DATE OF THE DISBURSEMENT, AS DETERMINED BY ADF AFTER CONSULTATION WITH THE INTERNATIONAL MONETARY FUND.

RULE 3. IN THE CASE OF A CURRENCY COVERED BY RULE 1 (B) ABOVE, ADF SHALL ADJUST ITS HOLDING IN SUCH A CURRENCY IN ACCORDANCE WITH ARTICLE 13 OF THE AGREEMENT WHENEVER THERE IS A CHANGE IN THE PAR VALUE OR CENTRAL RATE.

RULE 4. WHENEVER ADF ADJUSTS HOLDINGS OF A PARTICIPANTS' CURRENCY WHICH ARE SUBJECT TO THE MAINTENANCE OF VALUE PROVISION IN ACCORDANCE WITH ARTICLE 13, ADF SHALL ESTABLISH AN ACCOUNT RECEIVABLE OR AN ACCOUNT PAYABLE, AS THE CASE MAY BE, IN RESPECT OF THE CURRENCY PAYABLE BY OR TO THE PARTICIPANT UNDER ARTICLE 13. SETTLEMENT OF ACCOUNTS RECEIVABLE OR PAYABLE SHALL BE MADE ANNUALLY ON 1 JULY OR WHEN REQUESTED BY THE FUND OR THE PARTICIPANT.

RULE 5. FOR THE PURPOSE OF APPLYING THE PROVISIONS OF THE AGREEMENT AT ANY DATE, THE FUND'S HOLDINGS OF THE CURRENCY WILL BE DEEMED TO BE ITS ACTUAL HOLDINGS PLUS THE BALANCE IN ANY SUCH ACCOUNT RECEIVABLE OR MINUS THE BALANCE OF ANY SUCH ACCOUNT PAYABLE AS OF THAT DATE.

5. BANK STAFF INFORM SUS MAINTENANCE OF VALUE PAYMENTS (MOV) HAVE BEEN BILLED TO JAPAN, 336, 113 UA AND UK 272, 264 UA. REBATES HAVE BEEN GRANTED FOR APPRECIATION OF CURRENCY TO NORWAY 83, 325, UA, NETHERLANDS 66, 662, UA (JUL 74) AND FINLAND (JUL 75) 80, 539 UA AS NOTED ABOVE. NORWAY AND NETHERLANDS DID NOT COLLECT REBATES.
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